

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Voluntary \_ Public

**Date:** 9/2/2011

**GAIN Report Number:** 11804

## China - Peoples Republic of

**Post:** Shanghai ATO

### **ATO Leads FruitDay.com to Record-Breaking Sales**

**Report Categories:**

EXPORT PROMOTION PROGRAMS

**Approved By:**

Keith Schneller

**Prepared By:**

Freddie Xu and Eric Hall

#### **Report Highlights:**

ATO Shanghai's cooperation with FruitDay.com, an on-line fruit retailer, is an impressive demonstration of the power of internet and TV retailing in China. This privately owned company flourishes by featuring sales of high quality imported fruit supported by various USDA producer associations. In late August, the Director of ATO Shanghai witnessed FruitDay.com sell 1900 boxes (2.2kg each) of Northwest Cherries in 30 minutes on a live television sales program called OCJ. This 30 minute sales campaign sold more than a single 20' container load of cherries with a retail value of nearly US\$100,000. This was just one of several television sales of American fruit the company has held this past season. In addition, last year's internet sales promotion resulted in an increase in sales of US fruit on the website that was an additional 180% higher than the overall 100% increase in fruit sales the company experienced.

**Introduction:**

Our two-year old relationship with Fruitday.com has been extraordinarily successful and demonstrates the power of new marketing channels in China. Last year ATO Shanghai introduced FruitDay.com to several US producer associations promoting fresh US fruits in Shanghai, and helped organize a 2010 Great American Fruits Festival which ran for several months. The

associations worked with Fruitday.com to better integrate U.S. fruit into their on-line sales and held a promotion of US fruits during their respective peak seasons in the summer and fall. Sunkist, Washington Apple Commission, California Table Grapes Commission, California Cherry Advisory Board and Northwest Cherries participated in the event. Sales were an additional 180% higher than the overall 100% increase in fruit sales the company experienced during the same time period.

After the successful on-line sales campaign, ATO staff encouraged the associations to support FruitDay.com in making live television sales on OCJ - one of the largest television sales channels in China. Although selling food products is not that common on television, OCJ executives informed us that FruitDay.com sales of Sunkist oranges had the greatest sales in terms of number of orders of any products sold through OCJ channels during the first half of 2011. OCJ sold 3,500 boxes of 8.8 kg Sunkist oranges within 30 minutes, with each box valued at 198 RMB or nearly 30 dollars. Below is a listing of the amounts of fruit sold and the number of times each fruit product was sold live on the OCJ sales channel.



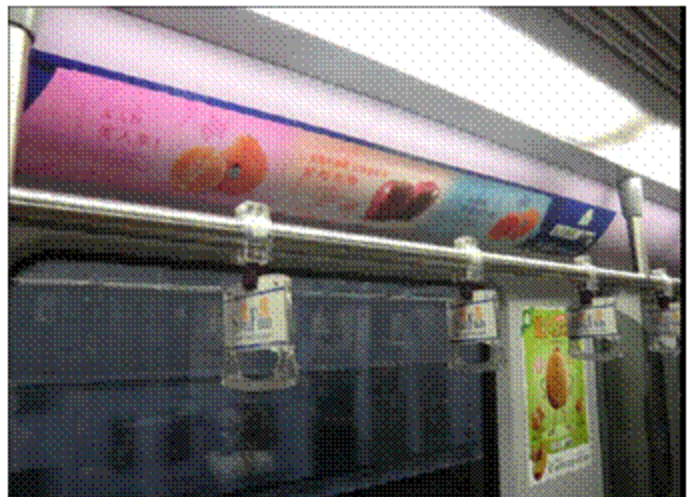
**Filming of the Northwest cherry sales sessions on OCJ**

**FruitDay.Com Sales Episodes on OCJ Television, Oct 2010- Aug 2011**

Product	Number of OCJ Features	Total Sales (RMB)	Total Sales (USD)
Sunkist Oranges	20	9 million	1.4 million
Northwestern Cherries	3	1.5 million	230,000
California Grapes	4	2 million	310,000
Washington Apples	12	4.5 million	700,000

The director of ATO Shanghai visited OCJ studios on August 8th and witnessed a live TV sales promotion featuring Northwest Cherries. The producer claimed OCJ hoped to sell at least 1200 2 kg boxes of NW cherries at RMB338/box (almost US\$50) that evening. Since the weather was cloudy and rainy that day, the OCJ producer and FruitDay.com sales team were optimistic their goal would be met since more people would be at home watching television. ATO director was able to monitor live sales on a computer screen that registered on-line purchases, telephone purchases, and confirmations at nearly 100 orders per minute during the first part of the session. The sales goal of 1200 boxes of cherries (1400 fit in one 20' container) was quickly surpassed. The 1900 cases worth nearly US\$100,000 were all sold in 30 minutes and were to be delivered directly to consumers around Shanghai in the next 2-3 days. Earlier in the year, OCJ informed us they had record sales of RMB 693,000 (\$108,000) of Sunkist citrus on one program. The producer indicated he is very pleased with support from FruitDay.com and very happy to help promote sales of high quality and safe American fruit. OCJ charges a commission for its sales, but also coordinates shipment of the product. If there were any complaints about the quality of the fruit, FruitDay.com would be required to replace the products. Therefore, FruitDay.com is very careful about the quality of the fruit.

The recent demand for these American “luxury fruits” has increased steadily with the growing prevalence of western influence in China and the country’s growing wealth. Although all of the fruits varieties promoted by FruitDay.com can be sourced locally, U.S. produce is seen as being healthier, higher quality, and the safest choice.



**FruitDay.com advertisements on the subway**

FruitDay.com has been very creative in taking advantage of marketing and nutritional materials produced by USDA producer associations such as Sunkist and the Washington Apple Commission to widely promote American fruit as the all-around better alternative to local produce. Thanks to the connections provided by ATO Shanghai, FruitDay.com has continued to create a growing demand for American fruit among the Chinese and provided great exposure across China through OCJ Television channels for USDA producer associations.

### **Background:**

FruitDay.com was founded in 2006 with the motto “Every day is Fruitday” and the goal of bringing premium fruit to Chinese consumers. Capitalizing on the growing demand for fast and effortless shopping, and food safety concerns, their online store was one of the first of its kind in China. Based in Shanghai, they have three cold storage units, two logistics centers, and one customer call-center all open year-round and providing hand selected quality fruit for fast home delivery. This is a new sales channel in China that is developing at a rapid rate and proves there is increasing purchasing power among Chinese consumers willing to pay premium prices for high quality and safe, imported American food and beverage products.

OCJ was jointly founded by Shanghai Media Group and CJ O Shopping in 2004. It is the one of the most predominate TV shopping channels in China. Besides TV shopping, OCJ builds its own website to offer on-line

shopping to its clients. The program is broadcasted in Shanghai and Nanjing and targets middle-class consumers. American fresh fruits sales account for nearly 40 percent of OCJ's total sales of produce and frozen meats category. In addition to fruits, OCJ sells processed meat products like Johnsonville sausage, and dried fruit and nuts from U.S., including Paramount Farm pistachios and Crain Walnuts, Peterson Farm cherries, Nature Harvest blueberry, Hillview prunes and Ocean Spray dried cranberries.

**Fruit Trade:**

US exports of fresh fruits to China and Hong Kong are up 14% over last year's levels through the first 6 months of 2011. The growth in US fresh fruit exports to China has been strong, driven by the rising incomes of consumers and demand for high quality products. While the quality of local fruits has not generally reached US levels, it is improving rapidly. This may ultimately threaten US market share. However the rate of demand growth is

so strong	Value of U.S. Fruit Exports to the PRC and Hong Kong						
that China	Millions of US Dollars	2008	2009	2010	% Change 2008/09	% Change 2009/10	
recently	Grapes, Fresh	70.037	74.326	92.152	6%	24%	
	Oranges	72.460	75.702	97.746	4%	29%	
	Apples, Fresh	38.947	44.462	62.674	14%	41%	
transitione	Cherries, Fresh	8.881	26.358	45.359	197%	72%	
	Plums, Sloes, Fresh	8.605	7.020	11.579	-18%	65%	
d from a	Lemons/Limes, Fresh/Dried	8.451	10.633	9.554	26%	-10%	

net fruit exporter to a net importer of fruit.

The U.S. shipped \$338 million in fresh fruit exports to China and Hong Kong in 2010. Oranges, apples, and grapes are the most important three US fresh fruit exports to China and Hong Kong. The rate of growth in China's imports of US cherries is especially impressive in value terms.

It is	<b>Volume of US Fruit Exports to the PRC and Hong Kong</b>					
only	MT	2008	2009	2010	% Change 2008/09	% Change 2009/10
slight	Oranges, Fresh	100,000	107,219	130,383	7%	22%
	Apples, Fresh	37,491	45,535	61,073	21%	34%
ly	Grapes, Fresh	35,912	37,456	44,567	4%	19%
	Lemons/Limes, Fresh/Dried	8,940	12,225	10,199	37%	-17%
less	Cherries, Fresh	1,905	7,054	8,578	270%	22%
impr	Plums,Sloes, Fresh	7,081	5,137	9,895	-27%	93%

essive in volume terms. Slicing the fruit trade in this way shows the importance of the trade to US producers and the sheer volume of US oranges being sent to China.

Most of

the

oranges,

apples, and

grapes

enter

China in

the south

<b>Proportion by Value Directly Shipped to the PRC*</b>				
	Percent	2008	2009	2010
Grapes, Fresh		15.5%	13.5%	16.9%
Oranges		31.0%	29.3%	28.3%
Apples, Fresh		14.5%	13.3%	14.0%
Cherries, Fresh		12.7%	35.9%	37.6%
Plums, Sloes, Fresh		8.5%	3.3%	12.6%
Lemons/Limes, Fresh/Dried		27.0%	26.4%	54.0%
* US Exports of commodity directly to China as a percent of US exports of that commodity to Hong Kong and China				

and through Hong Kong. As you can see in the table to the right the proportion is fairly steady. This is in spite of the importance of markets in central and northern China and is a demonstration of the maturity of traditional marketing channels. The situation is different with cherries – which depend on airfreight – as well as with plums and lemons. The market is apparently more sensitive to the quality and legality of these products than for the more frequently traded fruits.

